

Message Text

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TO SECSTATE WASHDC 2324

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PASS AGRICULTURE

E.O.11652: N/A
TAGS: EAGR. UK, EC
SUBJECT: UK AGRICULTURE MINISTER REPORTS ON ABORTIVE
OUTCOME OF MARCH 26-29 EC FARM PRICE MEETING

FOLLOWING REPEATED FOR YOU R INFO
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RUFHBS/AMEMBASSY BRUSSELS 2473
RUDKPNQ/AMEMBASSY COPENHAGEN 6201
RUFHDB/AMEMBASSY DUBLIN 5426
RUDKGQ/AMEMBASSY THE HAGUE 8320
RUFHBG/AMEMBASSY LUXEMBOURG 5707
RUFNPS/AMEMBASSY PARIS 9316
RUFHOM/AMEMBASSY ROME 0567
RUFHBS/USMISSION EC BRUSSELS 5450
RUFNPS/USMISSION OECD PARIS 4274
RUFHGVV/USDEL MTN GENEVA 0692
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UNCLAS SECTION 01 OF 02 LONDON 05343

PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAGR UK EC
SUBJECT: UK AGRICULTURE MINISTER REPORTS ON ABORTIVE

OUTCOME OF MARCH 26-29 EC FARM PRICE MEETING

BEGIN SUMMARY: UK AGRICULTURE MINISTER SILKIN REPORTED TO HOUSE OF COMMONS ON MARCH 30 ON MARCH 26-29 EC FARM PRICE MEETING AND EXPLAINED WHY HMG REJECTED OROPOSED PACKAGE. HMG CONTINUES TO LAY STRESS ON ITS BELIEF REMAINDER EC DOES NOT PAY SUFFICIENT REGARD TO AVOIDING SURPLUS PRODUCTION. FURTHERMORE, HMG REMAINS OPPOSED TO INFLATIONARY ASPECTS OF FARM PRICE PACKAGE WHICH UK PROPOSED BUTTER SUBSIDY WOULD COUNTERACT. UK MEDIA COVERAGE OF OUTCOME MARCH MEETINGS MUCH OVERSHADOWED BY MARCH 29 BUDGET. END SUMMARY.

1. UK AGRICULTURE MIRISTER JOHN SILKIN TOLD HOUSE OF COMMONS ON MARCH 30 WHY HMG HAD REJECTED PACKAGE OF FARM PRICE PROPOSALS AT 5-DAY AGRICULTURE MINISTERS' MEETINGS IN BRUSSELS WHICH ENDED INCONCLUSIVELY OR MARCH 29. SILKIN SAID FINAL PACKAGE DID NOT OFFER SUFFICIENT ADVANTAGES TO UK AND "WE WERE THEREFORE NOT PREPARED TO ACCEPT IT." PACKAGE AS A WHOLE WAS UNACCEPTABLE FOR SIMPLE REASON THAT WHAT WAS BEING OFFERED TO THE UK, WHICH ALONE AMONG THE NINE HAS INTEREST IN PRESERVING PRICES AT THE LOWEST REASONABLE LEVEL BOTH FOR PRODUCERS AND CONSUMERS, WAS TOTALLY OUT OF PROPORTION TO THE PRICE THAT WOULD HAVE TO BE PAID.

2. ON BUTTER, SILKIN SAID FINAL OFFER AMOUNTING TO AVERAGE OVER THE YEAR OF 7 PENCE PER LB. WAS NOT A VERY GOOD DEAL FOR THE UK.

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3. SHADOW SPOKESMAN ON AGRICULTURE ASKED WHAT WOULD MINISTER BE PREPARED TO ACCEPT. OPPOSITION COULD NOT SEE WHO HAS GAINED ANYTHING FROM THE PROLONGED AND BITTER ARGUMENT. FAILURE TO DO ANYTHING OR GREEN POUND AND MCA'S WILL BE PARTICULARLY DISTRESSING TO PIG PRODUCERS WHILE DEVALUATION OF THE IRISH GREEN POUND WILL HIT THE BRITISH BEEF INDUSTRY. SILKIN ACKNOWLEDGED HE RECOGNISES DIFFICULTIES FOR BEEF PRODUCERS AND SAID THAT BEEF PREMIUM PAYMENTS SYSTEM AND EMERGENCY PIG SUBSIDY WILL BE MAINTAINED.

4. OTHER CONSERVATIVE MEMBERS ATTACKED SILKIN'S STAND CLAIMING HE WAS SACRIFICING BRITISH FARMERS FOR THE CONSUMER AS WELL AS DESTROYING UK CREDIBILITY IN EUROPE. LABOUR MEMBERS, MAINLY LEFT-WING BUT ALSO DOUGLAS JAY, HEARTILY CONGRATULATED MINISTER ON HIS STAND. JAY SAID "HE WILL BOTH DESERVE AND RECEIVE THE OVERWHELMING SUPPORT OF THE BRITISH PUBLIC IF HE CONTINUES TO RESIST UNCOMPROMISINGLY THE CRAZY POLICIES OF THIS RIDICULOUS

ORGANISATION."

5. ON PREVIOUS DAY ON HIS RETURN FROM BRUSSELS, SILKIN SAID "WHY SHOULD I GO OUT OF MY WAY TO PENALISE THE BRITISH HOUSEWIFE?"

6. REACTION FROM THE NFU IS ARQRY. NFU ORESIDENT SAID "ALL HOPE FOR EXPARSIOR BECOMES RORSERSE WHILE PROCRASTINATION AND DELAY HIT CORSUMERS AS WELL AS FARMERS. IT IS ABSOLUTELY SCANDALOUS THAT THE GAP BETWEEN IRISH ARD BRITISH GREEN POUNDS, ALREADY A RUNRING SORE FOR BEEF PRODUCERS. SHOULD HAVE BEER AGGRAVATED BY A FURTHER DEVALUATION IR THE IRISH GREEN POUND WHICH WILL RAISE THEIR SUBSIDY ON BEEF EXPORTS TO US FROM 9.6 PENCE TO ABOUT 13 PENCE A LB." NFU PRESIDERT ALSO ATTACKED DELAY ON FIXINQ NEW MILK PRICE WHICH HE SAIO ACCORDS ILL WITH GOVERRMENT'S EMPHASIS ON UNCLASSIFIED

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EXPANSION OF HOME-PRODUCTION.

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COMMENT:

7. OUTCOME OF TALKS WAS OVERSHADOWED IN UK BY

CHANCELLOR'S MARCH 29 BUDGET STATEMENT IN WHICH NEED TO
REDUCE INFLATION WAS RAPIDLY STRESSED. REPORTS THAT
PRIME MINISTER PERSONALLY INTERVENED TO TELL SILKIN TO
TURN DOWN PRICE PACKAGE HAVE BEEN DENIED BUT UK REJECTION
OF PROPOSALS MUST BE LOOKED AT IN CONTEXT OF BUDGET AIMS
WHICH INCLUDE TAX RELIEF CARROT IN RETURN FOR THIRD
PHASE OF PAY RESTRAINT. SILKIN CLAIMS 3 PERCENT
INCREASE IN FOOD PRICE INDEX WOULD HAVE RESULTED
FROM ACCEPTANCE OF EC PACKAGE.

8. HMG AND ALSO SOME PRESS COMMENT CLAIM THAT OTHER EC
COUNTRIES DID NOT SUFFICIENTLY APPRECIATE EXTREMELY BAD
IMAGE WHICH CAP HAS ERGENDERED IN UK OVER BUTTER
QUESTION. THE ESTIMATED 40 PENCE PER LB. SUBSIDY ON
BUTTER EXPORTS TO SOVIET /UNION IS BEING PROMINENTLY
CONTRASTED WITH 20 PENCE PER LB. SUBSIDY FOR UK WHICH
SILKIN ASKED FOR. TIMES EDITORIAL OF MARCH 31 SAYS "IT
IS ALSO PROBABLY RIGHT, ON BALANCE, TO FEEL THAT THE
PACKAGE DOES NOT GO QUITE FAR ENOUGH TO MEET GK'S
JUSTIFIABLE DEMANDS FOR A FUNDAMENTAL SHIFT IN THE FARM
POLICY IN THE COMING YEARS. THE SURPLUSES OF DAIRY
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PRODUCTS ARE NOT NEW AND HAVE ENGAGED THE RATHER HALF-
HEARTED ATTENTION OF EC MINISTERS FOR NEARLY TEN YEARS.
.....TOO LITTLE CONCRETE ACTION HAS BEEN TAKEN.
THUS THERE IS A STRONG CASE FOR USING THE POWER WHICH
THE UK HAS TO DELAY PRICE INCREASES AS A BARGAINING
LEVER TO GET FASTER AND MORE RESOLUTE ACTION." TIMES
SAYS THE GREEN POUND WIRDFALL PROFITS SHOULD BE USED TO
PERSUADE EC PARTNERS THAT IT IS IN THEIR INTERESTS TO
CARRY OUT A THOROUGH REFORM OF THE WORKINGS OF THE CAP.
NEVERTHELESS, IT WARNS AGAINST TOO HEAVY-HANDED AN
APPROACH AND WONDERS WHETHER CURRENT BRITISH STANCE DOES
NOT MIRROR AN OVER-WILLINGNESS TO PLAY TO THE GALLERY OF
ANTI-EC LABOUR MP'S.

9. ON THE WHOLE, HOWEVER, IT IS PROBABLY TRUE TO SAY
THAT EXCEPT FOR THE FARMERS, MOST UK OPINION IS ON
SILKIN'S SIDE. ONE REASON FOR THIS IS THAT COMMUNITY
PACKAGE ON MANY SEPARATE AND DISPARATE ISSUES IS BOUND TO
OFFEND SOMEBODY. FOR EXAMPLE, PROPOSED CONCESSION OR
ISO-GLUCOSE WAS IMMEDIATELY DISMISSED AS WORTHLESS BY
MANAGING DIRECTOR OF TUNNEL REFINERIES WHO SAID NEW
PROPOSALS WERE JUST AS DAMAGING AS THOSE THEY REPLACED.
EVEN PROPOSED LEVY OF 50 UA PER TON WOULD ADD 14 PERCENT
TO CURRENT SELLING PRICE OF ISO-GLUCOSE MAKING ITS
MANUFACTURE ECONOMICALLY IMPOSSIBLE. FARMERS THEMSELVES
WHILE ANXIOUS FOR HIGHER PRICES BACK FULLY SILKIN'S
STAND ON FUTURE OF MILK MARKETING BOARD.

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